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Report Name: Food Processing Ingredients

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Report Highlights:

The potential to introduce U.S. origin food processing ingredients into the Indian market remains strong, due to rising demand for snacking and consumer-oriented food products. The Indian government has highlighted the food processing sector under the “Make in India” initiative, a Government of India program designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property, and build a good manufacturing infrastructure. The food processing sector has emerged as an important segment of the Indian economy in terms of its contribution to the gross domestic product, exports, investment, and employment.

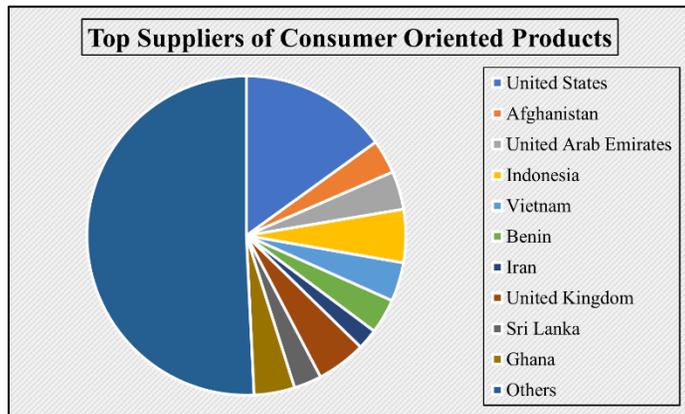
Market Fact Sheet: India

Executive Summary:

India is the [world's fifth largest economy](#) and is considered amongst the fastest developing major economies. India is expected to surpass China as the world's most populated country in 2023. As of March 2023, India's population stands at [1.4 billion](#), 18 percent of the total world population. The median age is 28.4 years, and over 65 percent of the population is below the age of 35. Although an economic decline is expected in 2023, the [International Monetary Fund's \(IMF\) January 2023 World Economic Outlook](#) projects economic growth to return to 2022 levels at 6.8 percent in 2024. In 2022, India imported \$40 billion of processed foods and related products from all sources, while exports totaled \$56 billion.

Imports of Consumer-Oriented Products:

India's imports of consumer-oriented foods, led by tree nuts, spices, and fresh fruits, are the fastest growing imported agricultural products in the country. In 2022, India imported \$7.5 billion of consumer-oriented products, of which 15 percent was from the United States. Rising numbers of brand-oriented importers, modern and e-retail platforms, and trendsetting restaurants are some of the major contributors to the growth of consumer-oriented product imports.



Source: Trade Data Monitor

Food Processing Sector:

India's food processing sector contributes nearly 13 percent to Gross Domestic Product (GDP), and ranks

fifth in terms of production, consumption, and exports. According to sources, the sector is expected to grow at a Compound Annual Growth Rate (CAGR) of 15 percent and reach [\\$535 billion by 2025-26](#). This growth is driven by increased consumption in Tier-II and III cities, government impetus, and foreign investments.

2022 Snapshot

Consumer-Oriented Product Imports: \$7.5 billion

Top Import Growth Products in India

- Tree Nuts (almonds, pistachios, and walnuts)
- Fresh fruits (apples, pears, and grapes)
- Processed fruits

Food Industry by Channels

Food Industry Output	\$400 billion
Food Exports	\$56 billion
Food Imports	\$40 billion

Top Food Processors

- Nestle India Ltd.
- PepsiCo India Holdings Ltd.
- Britannia Industries Ltd.

GDP/Population (2022)

Population	1.4 billion
GDP	3.5 trillion (nominal)
GDP per capita	\$2,466 (nominal)

Sources: Global Trade Atlas, Trade Data Monitor

SWOT Analysis:

Strengths	Weaknesses
<ul style="list-style-type: none"> • U.S. products held in high regard. • Less language barriers. 	<ul style="list-style-type: none"> • Lack of awareness regarding the range and value of U.S. products.
Opportunities	Threats
<ul style="list-style-type: none"> • Growth potential in food processing and imported food ingredients. 	<ul style="list-style-type: none"> • Tariff/non-tariff barriers • Strong competition from local/foreign suppliers.

Section I. Market Summary

Rising Demand for Processed Food Products

India's food processing sector is one of the key sectors in which growth runs parallel with changing demographics, lifestyle, affordable workforce availability, improved transportation, and changing consumer perceptions of quality and safety. The sector employs almost two million workers in nearly 40,579 registered processing units, with a fixed capital of three billion, and an aggregate output of \$160 billion. The sector is growing at 11 percent, and is further enhanced with growing export opportunities (Source: [Ministry of Food Processing Industries Annual Report,2021-2022](#)).

The online grocery market sector in India has experienced exponential growth in recent years, and a steady increase in the working population has facilitated the demand for an online market for processed food products. The market is also driven by significant technological advancements in the food processing industry. With half a billion internet subscribers', digital adoption in India has increased access to information and choices for households.

Food and agricultural processing levels in India remain significantly lower in comparison to global standards, with less than 10 percent of its agricultural output used for processing. There are immense opportunities to boost processing levels and attract investments in the sector that attracted \$710 million of foreign direct investment in 2022. However, the climate for importing food and beverage products continues to face significant challenges. India routinely changes tariff rates, experiences exchange rate fluctuations that impact the affordability of imported goods, and implements a host of technical barriers to trade (TBT) and sanitary-phytosanitary (SPS) barriers. Food waste is another challenge, with sources estimating that over 40 percent of perishable produce goes to waste. In its Annual Report (2018-19), the Central Institute of Post-Harvest Engineering and Technology (CIPHET) indicates that post-harvest losses in India range from three to 16 percent for all major crops, and the level of value addition and processing is below 10 percent. CIPHET has developed Vision 2025 and identified various programs and projects to address key issues in the post-harvest sector. The vision aims to increase the value addition of food products from the current 10 percent to 35 percent, and processing in fruits and vegetables to increase from two to 35 percent by 2025.

Government Support

The Indian government, through the [Atmanirbhar Bharat](#) (Self-reliant India) initiative is prioritizing the food processing sector¹ by actively encouraging and providing incentives for increased private sector investments. Additionally, the government is promoting value-addition in agricultural and allied sectors, and the reduction of waste. Other government initiatives include financing the development of food parks, cold chain and value addition infrastructure, agro-processing clusters, food safety and quality assurance infrastructure, and fish processing. For additional information on the government policy, please refer to the [GAIN-India-IN2022-0029-Food Processing Ingredients-2022](#).

¹ *Atmanirbhar Bharat Abhiyaan* or Self-reliant India campaign is the vision of new India envisaged by Prime Minister Shri Narendra Modi. The aim is to make the country and its citizens independent and self-reliant in all senses.

Table 01. Advantages and Challenges for U.S. Food Ingredients

Opportunities	Challenges
Growing food processing industry and rising demand in Tier I and II Indian cities and in rural areas.	Processed foods are still seen as inferior to fresh foods by many consumers.
Continuous growth in urban population, dual-income households, changing spending patterns/priorities, emergence of nuclear families, increasing proportion of working women, fast-paced, busy lifestyle with limited time available for cooking, and a growing preference for convenience.	Fragmented and long supply chain resulting in food wastage. Inadequate transportation for perishable items. Inconsistent supply and quality of raw material.
Indian consumers becoming more acceptable to foreign foods and flavors as the rising number of foreign brands is boosting quality.	Processor’s source most of their ingredients locally. Despite expanding palates, most consumers prefer Indian cuisine.
Growing modern food retail and e-retail along with private label penetration.	Dominance of traditional retail formats (Mom and Pop Stores/Kirana Stores).
Increasing demand for quality and hygienic ingredients and foods. U.S.-origin food ingredients are well known and considered to be of high quality.	High tariffs and market access issues.
India’s geographic proximity to key export markets.	Changing food safety policy regulations.
Innovative marketing and modern retail outlets increase consumer awareness and make products easily accessible.	Inadequate infrastructure and industry automation. Nearly one-third of the produce is wasted due to poor post harvesting techniques especially in the seasonal enterprises, inadequate primary processing, and insufficient storage infrastructure, including warehouses, and cold storage.
Rising demand for frozen, ready-to-eat products.	Price-sensitive market.
Changing lifestyles and aspirations. Fast paced and busy lifestyle with limited time available for cooking and meal preparation. Consumers opting for convenience.	Majority of consumers prefer eating freshly prepared food. Adaptability to varied food habits in each region with climate, topography, culture, and heritage.

Section II. Roadmap for Market Entry

A. Entry Strategy

Key factors to consider before entering or introducing products into the Indian market:

- **Can your product enter India and comply with local laws?**
 - ✓ Conduct due diligence when exporting to India and determine if your product has market access.
 - ✓ Study India’s varied laws, particularly those pertaining to foods and beverages.
 - ✓ Review [FAS GAIN](#) policy and market reports including specific commodity information on custom duties or sanitary requirements.
 - ✓ Consider engaging a market research firm to assist with market entry, better understand the trade challenges and opportunities, and navigate the complex regulatory environment.

□ **Find the Right Partner**

- ✓ Identify a reliable importer/distributor who services the food retail, food service, or food processing sector.
- ✓ Avoid conflicts of interest – i.e., a partner who can ensure that all channels are followed within Indian laws.
- ✓ Consider whether participating in an Indian trade show would be an effective mean to identify a key importer/distributors/partner.
- ✓ Consider if collaborating/participating in USDA-endorsed promotional activities would be an effective way to create and/or increase market awareness and penetration.

□ **Secure Payment Terms**

- ✓ Until establishing a successful working relationship, U.S. suppliers or exporters may wish to consider vehicles such as an irrevocable Letter of Credit, advance payment, and or payment at sight.
- ✓ FAS India offices do not have the authority to mediate contractual disputes or serve as a collection agent when differences over payment or other commercial issues arise. For information about local legal services, refer to GAIN Report [IN6155](#).

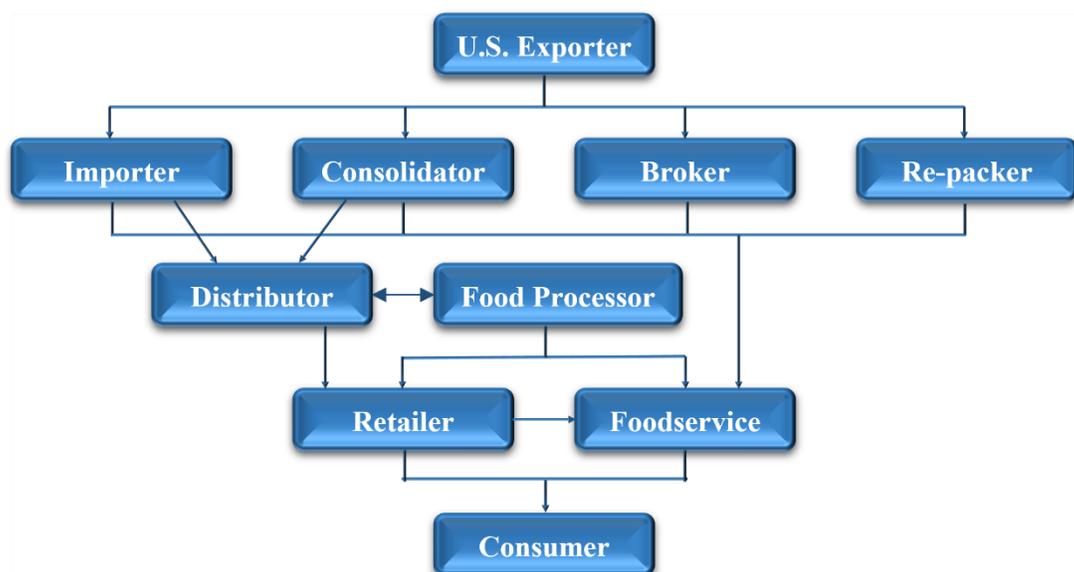
B. Import Procedure

Laws regulating Indian imports of food and agricultural products fall under the jurisdiction of multiple Indian government authorities. For more information, exporters should refer to FAS-India’s GAIN report [GAIN-INDIA –IN2022-0105-Food and Agricultural Import Regulations and Standards \(FAIRS\) Country Report – 2022](#), and the Food Safety Standards Authority of India (FSSAI) [Food Import Clearance Manual](#).

C. Distribution Channels

Major players in the distribution channel for products entering the food ingredients sector include food processing companies that have access to global supply chains, as well as a combination of clearing and forwarding agents, wholesalers, distributors, and importers who supply to domestic food manufacturing companies.

Market Structure



E. Share of Major Segments in the Food Processing Industry

There are no major updates from the [GAIN-India-IN2022-0029-Food Processing Ingredients-2022](#).

F. Company Profiles

Table 03. India: Top Ten Food Processing Companies

Company	Website Links
Nestle India	www.nestle.in/
PepsiCo India Holdings Limited	www.pepsicoindia.co.in/
Britannia Industries Limited	www.britannia.co.in/
Hindustan Unilever Ltd.	https://www.hul.co.in/
Parle Agro Pvt. Ltd.	https://www.parleagro.com/
Cadbury India Limited (Mondelēz International)	www.in.mondelezinternational.com/home
Gujarat Cooperative Milk and Marketing Federation (Amul)	www.amul.com/
Kwality Dairy India Limited	www.kwality.com
MTR Foods Limited (Owned by Norway-based Orkla)	www.mtrfoods.com/
Haldiram Snacks Pvt. Ltd.	www.haldiram.com/

Source: Public Media.

G. Sector Trends

Food remains an integral part of Indian culture, and each region of the country represents its own unique cuisine. India has witnessed several changes in the food industry in recent years, especially during the COVID-19 pandemic period, which has contributed to a significant shift in food habits, buying preferences, consumption pattern, and overall behavior of consumers.

Food constitutes almost [35-40 percent](#) of consumer expenditures, and will continue to do so for the next decade. Consumers are now less price conscious, and with a hike in expendable income, the focus is shifting from loose/non-branded to packaged/branded products. The packaged food segment is the fastest growing food segment and is expected to double in the next decade due to economic growth, demographic changes, an increasing working population, changing lifestyles, and e-commerce. Rice, pasta, bread, noodles, and breakfast cereals represent the largest portion of the sector. Other segments driving growth include edible oils, ready-to-eat products, tree nut based snacking products, confectionery products, dairy-based products, meat and poultry, sweet biscuits (cookies), snack bars, savory snacks, spreads, sauces, condiments, baby food and baked goods.

Food consumption is no longer confined to meeting basic energy/nutritional requirements of the human body but seen now as a source for enhancing health attributes. Despite reduced spending power, consumers prefer premium branded packaged food products on the belief that these products are more hygienic and safer for consumption. According to the industry contacts, the consumer preference trends show growing demand for fresh fruits, eggs, meats, beverages, processed foods, probiotic foods, sugar-free products, organic, natural foods, and most importantly immunity boosting and healthy foods. Moreover, awareness of benefits of consuming breakfast cereals, cheese, sausages, salami, among other products is growing. According to [ASSOCHAM Report 2023](#), the emergence of plant-based food in the recent past has revolutionized the Indian food processing industry. Increased interest in *Ayurvedic* immunity boosting formulations and growing fitness enthusiasm is likely to create strong growth for sports nutrition, including energy bars, protein powder, and ready-to-drink protein.²

Table 04. Sales Volume of Packaged Foods 2018 and 2022 (1,000 tons)

Category	2018	2022	Percent Change
Baked Goods	3,705	4,228	14
Breakfast cereals	77	114	49
Dairy	24,112	27,112	12
Edible Oils	10,639	11,231	6
Processed Fruit and Vegetables	117	138	18
Rice, Pasta, and Noodles	4,549	8,066	77
Sauces, Dips and Condiments	629	908	44
Savoury Snacks	1,162	1,527	31
Source: Euromonitor			

² *Ayurveda* is an alternative medicine system with 3,000-year-old historical roots in the Indian subcontinent.

Table 05. Sales Value of Processed Foods 2018 and 2022 (\$ billion)

Category	2018	2022	Percent Change
Baked Goods	1.9	2.9	53
Biscuits and Snack Bars	4.3	5.9	37
Breakfast Cereals	0.3	0.5	67
Dairy	1.7	2.8	65
Edible oils	13.6	23.3	71
Processed Fruits and Vegetables	0.9	0.3	-67
Rice, Pasta, and Noodles	5.7	12.3	116
Savory Snacks	4.1	5.8	41

Source: Euromonitor

Section III: Competition

India’s food processing industry primarily depends on domestic agricultural ingredients and inputs, and the domestic industry is the main competitor for U.S. exports of food ingredients including cereals, spices, rice, sugar, pulses, fresh fruits and vegetables, dairy, and livestock, among others. Despite expanding palates, most consumers prefer Indian cuisine cooked in the traditional style and do not want to adapt to varied tastes. India produces a variety of foods, and seasonal crops at prices below most imported products due to its diverse climatic conditions and terrain. The quality of tree nuts, dried fruits, berries, and similar products makes them attractive imported ingredients for major players in the processing industry. Most third-country competitors enjoy a freight advantage over the United States due to their geographic proximity to India and lower freight costs. Consolidators in neighboring markets in Dubai and Singapore offer quick delivery of smaller shipment volumes that often include transshipped U.S.-origin ingredients. High import duties and restrictions on several imported raw materials also pose challenges for direct U.S. exports to the market.

Table 6. Competition in Major Product Categories in Calendar Year (CY) 2022

Product Category	Net Imports CY 2022	Major Supply Sources	Strengths of Key Supplying Countries	Advantages (A) and Disadvantages (D) of Local Suppliers
Animal or vegetable oils, fats, and their cleavage products	\$21 billion	Indonesia Argentina Ukraine Malaysia Russia	Major production hubs and competitive prices.	Local production is inadequate, and more than 40 percent of total edible oil consumption is dependent on imports. (A)
Leguminous Vegetables, Dried Shelled/Pulses	\$2 billion	Canada Myanmar Mozambique Tanzania Australia	Price competitiveness, freight advantage and the ability to produce specific variety of pulses is in demanded in India.	Historically, about 20 percent the total demand for pulses was met through imports. However, record domestic harvests in the last two years has resulted in import restrictions imposed by the Indian government, including quantitative restrictions on pea and other pulse imports, which since 2018 have limited sales. (D)

Edible Fruits and Nuts	\$4 billion	USA Afghanistan UAE Benin Ghana	Growing market demand, preference for specific quality, popular at certain holidays.	Domestic production of some of the major fruits and nuts is insignificant. (A)
Sugars and sugar confectionery	\$4 million	Brazil Germany Netherlands USA South Africa	Price competitiveness.	India is a large producer, consumer, and usually a net exporter of sugar. (D)
Coffee, Tea, Mate and Spices	\$1 billion	Vietnam Indonesia Nepal Madagascar Sri Lanka	Price competitiveness and geographic proximity to India.	Most imports are for re-export to other regions. (A)
Albuminoidal Substances; Modified Starches; Glues; Enzymes	\$9 million	China USA Thailand Netherlands Germany	Price competitiveness	Local production is limited and the U.S. supplies good quality products with competitive prices. (A)
Source: Ministry of Commerce and Industries, Trade Data Monitor, and FAS India Analysis				

Section IV: Best Product Prospects

The market for imported foods has steadily grown and is impacted by a growing middle-class, affluent professional, brand-oriented importers, modern retail outlets, e-commerce retailers, and trend setting restaurants that do a fusion of national and international foods. High demand imported food products include tree nuts (almonds, walnuts, pistachios, hazelnuts, chestnuts - Harmonized Tariff System - HS 0802); products for the milling industry to include malt, starches, insulin, wheat gluten (HS 11); leguminous vegetables, dried shelled/pulses (HS 0713); fresh fruit such as pears and quinces (HS 0808); beverages, spirits, and vinegar (HS 22); albuminoidal substances, modified starches, glues, enzymes (HS 35); and essential oils and related products (HS 33). Products such as cocoa and cocoa preparations (HS 18); grapes, fresh or dried (HS 0806); fruit juices (HS 2009); fruit pulps (HS 2202); additives/flavorings/sweeteners (HS 2106); and seasonings, condiments, and sauces (HS 2103) while not imported in quantity from the United States, do have good market potential. U.S.-origin pecans, pork and pork products offer good market potential.

Products Not Present Because of Significant Barriers

Several trade restrictions limit market access for U.S. products (e.g., red meats and dairy products), due to import requirements. Imports of biotech commodities and products are also prohibited (see, [GAIN-INDIA – IN2022-0087 - Agricultural Biotechnology Annual – 2022](#)).

Section V: Post Contacts and Further Information

Foreign Agricultural Service

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For additional information please visit the FAS websites & useful FAS India GAIN reports

- [FAS Homepage](#)
- [FAS India - Exporter Guide](#)
- [FAS India - Retail Report](#)
- [FAS India Online Grocery Market](#)
- [FAS India - Food Service - Hotel Restaurant Institution](#)
- [FAS India Plant-Based Meat Substitutes Market](#)
- [India: Sweet Opportunities in the Indian Confectionary and Snacks Market](#)
- [FAS India - Food Processing Ingredients Report 2018](#) - *For information on key contacts in the Ministries, Regulatory Authorities, Food Processing Research Institutions and Associations as well as organizations under the Ministry of Food Processing Industries.*

Attachments:

No Attachments